

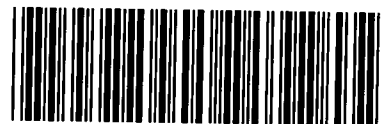
European Investments (Lancashire 2) Limited

Directors' report and financial statements

Registered number 08884811

For the year ended 31 December 2017

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Directors' Report

The directors present their directors' report and the audited financial statements for the year ended 31 December 2017.

Principal activities

The principal activity of the company during the year was that of a holding company, whose business is the holding of an investment in its wholly owned subsidiaries, European Investments (Reaps Moss) Limited and Reaps Moss Limited.

The subsidiaries' principal activity during the year was the operation of the Reaps Moss Wind Farm.

Review of the business

2017 was the second full year of operation for the wind farm following the commencement during September 2015. The performance through 2017 was satisfactory with wind turbine availability at 99% (2016: 99%) and generation at 103% (2016: 91%) of the budget.

During 2017 the company continued to provide shareholder loans to European Investments (Reaps Moss) Limited which funded the construction of Reaps Moss Wind Farm.

The future of the company is expected to continue being that of a holding company, whose business is the holding of an investment in the Reaps Moss Wind Farm.

Principal risks

The principal risk currently facing the company is:

- Cash flow

The cash flow of the company is contingent on the performance of its subsidiary Reaps Moss Limited and its operation of the Reaps Moss Wind Farm.

Directors

The directors who held office during the year and up to the date of signing the financial statements were as follows:

A Le Gal
M A Szczepaniak

During the year an indemnity provision was in force for one or more of the directors of the company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Dividends

An interim dividend of £976,434 amounting to 48p per share was paid during the year (2016: £267,727 amounting to 13p per share). The directors do not recommend the payment of a final dividend (2016: £nil).

Directors' Report *(continued)*

Statement of disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

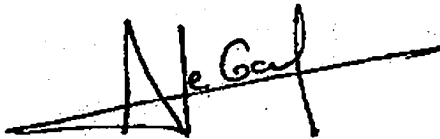
(a) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and

(b) that director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Independent auditor

KPMG LLP was appointed as auditor during the year. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the board

A handwritten signature in black ink, appearing to read 'A Le Gal', with a long horizontal stroke extending to the right.

A Le Gal
Director

2 Hunting Gate
Hitchin
Hertfordshire
SG4 0TJ

28 September 2018

Directors' Responsibilities Statement

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of European Investments (Lancashire 2) Limited

Opinion

We have audited the financial statements of European Investments (Lancashire 2) Limited ("the company") for the year ended 31 December 2017 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of European Investments (Lancashire 2) Limited (*continued*)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

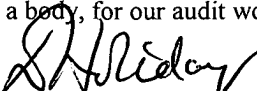
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.


Emma Holiday (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

30 September 2018

Profit and loss account
for the year ended 31 December 2017

	<i>Note</i>	Year ended 31 December 2017	Year ended 31 December 2016
		£	£
Income from shares in group undertakings	4	933,827	184,107
Interest receivable and similar income	5	1,193,003	1,252,397
Interest payable and similar expenses	6	(1,150,396)	(1,204,435)
		<hr/>	<hr/>
Profit before taxation	8	976,434	232,069
Tax on profit	10	-	7,131
		<hr/>	<hr/>
Profit for the financial year		976,434	239,200
		<hr/>	<hr/>

All results relate to continuing activities.

Balance sheet
as at 31 December 2017

	<i>Note</i>	31 December 2017		31 December 2016	
		£	£	£	£
Fixed assets					
Investments	11		2,050,000		2,050,000
Current assets					
Debtors: amounts falling due after more than one year	12	16,663,342		17,186,512	
Debtors: amounts falling due within one year	13	-		-	
Cash at bank and in hand		-		-	
		<u>16,663,342</u>		<u>17,186,512</u>	
Creditors: amounts falling due within one year	14	-		-	
Net current assets			<u>16,663,342</u>		<u>17,186,512</u>
Total assets less current liabilities			<u>18,713,342</u>		<u>19,236,512</u>
Creditors: amounts falling due after more than one year	15		<u>(16,663,342)</u>		<u>(17,186,512)</u>
Net assets			<u>2,050,000</u>		<u>2,050,000</u>
Capital and reserves					
Called up share capital	16		2,050,000		2,050,000
Retained earnings			-		-
Total shareholder's funds			<u>2,050,000</u>		<u>2,050,000</u>

These financial statements were approved by the board of directors on 28 September 2018 and were signed on its behalf by:



A Le Gal
Director

Statement of changes in equity
for the year ended 31 December 2017

		Called up share capital £	Retained earnings £	Total equity £
Balance as at 1 January 2016		2,050,000	28,527	2,078,527
		<hr/>	<hr/>	<hr/>
Profit for the financial year		-	239,200	239,200
		<hr/>	<hr/>	<hr/>
Total comprehensive income for the year		-	239,200	239,200
		<hr/>	<hr/>	<hr/>
Dividend paid	17	-	(267,727)	(267,727)
		<hr/>	<hr/>	<hr/>
Total transactions with owners, recognised directly in equity		-	(267,727)	(267,727)
		<hr/>	<hr/>	<hr/>
Balance as at 31 December 2016		2,050,000	-	2,050,000
		<hr/>	<hr/>	<hr/>
Balance as at 1 January 2017		2,050,000	-	2,050,000
		<hr/>	<hr/>	<hr/>
Profit for the financial year		-	976,434	976,434
		<hr/>	<hr/>	<hr/>
Total comprehensive income for the year		-	976,434	976,434
		<hr/>	<hr/>	<hr/>
Dividends paid	17	-	(976,434)	(976,434)
		<hr/>	<hr/>	<hr/>
Total transactions with owners, recognised directly in equity		-	(976,434)	(976,434)
		<hr/>	<hr/>	<hr/>
Balance as at 31 December 2017		2,050,000	-	2,050,000
		<hr/>	<hr/>	<hr/>

Statement of cash flows
for the year ended 31 December 2017

During the current and preceding year, the company did not have any cash transactions. The company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

Notes to the financial statements

(Forming part of the financial statements)

1 General information

The company is a private company limited by shares and is incorporated in England. The address of the company's registered office and principal place of business is 2 Hunting Gate, Hitchin, Hertfordshire, SG4 0TJ.

2 Statement of compliance

The individual financial statements of European Investments (Lancashire 2) Limited have been prepared in compliance with United Kingdom Accounting Standards, comprising Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 Summary of significant accounting policies

Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

There are no judgements or estimates to disclose in relation to the preparation of these financial statements.

Going concern

The directors have reviewed the company's subsidiary in terms of projected profits and cash flows by reference to a financial model covering accounting periods up to December 2040. They have also examined the current status of the underlying principal contracts and likely developments in the foreseeable future. Having reviewed the financial facilities available to the company, the directors consider that the company will be able to settle its liabilities as they fall due and accordingly the financial statements have been prepared on a going concern basis.

Group financial statements

As set out in Section 400 of the Companies Act 2006, the company is exempt from the requirement to prepare group financial statements, on the grounds that it is consolidated into its parent group financial statements. Accordingly, the results presented in these financial statements present information about the company as an individual undertaking and not as a group.

Foreign currency

The company's functional and presentation currency is the pound sterling.

Interest receivable/payable

Interest receivable or payable is recognised in the profit or loss in the period in which they are earned or incurred.

Notes to the financial statements *(continued)*

3 Summary of significant accounting policies *(continued)*

Investments

Fixed asset investments are shown at cost, less any provision for impairment. Income from shares in group undertakings is included in the financial statements for the year in which it is receivable.

Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. When a review for impairment is conducted the recoverable amount is assessed by reference to the net present value of expected future cash flows of the relevant income generating unit, or disposal value if higher. If an asset is impaired, a provision is made to reduce the carrying amount to its estimated recoverable amount.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It established provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Borrowing costs

All borrowing costs, excluding debt issue costs, are recognised in the profit or loss in the period in which they are incurred.

Notes to the financial statements *(continued)*

3 Summary of significant accounting policies *(continued)*

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Financial instruments

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment is recognised in profit or loss.

Other financial assets are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the assets expire or are settled, or (b) substantially all the risk and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and shareholder loans are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down and amortised over the life of the underlying investment.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Notes to the financial statements (continued)

4 Income from shares in group undertakings

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Dividends received from subsidiary undertakings	933,827	184,107
	<u>933,827</u>	<u>184,107</u>

5 Interest receivable and similar income

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Interest receivable on shareholder loans	1,193,003	1,252,397
	<u>1,193,003</u>	<u>1,252,397</u>

6 Interest payable and similar expenses

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Interest payable on shareholder loans	1,150,396	1,204,435
	<u>1,150,396</u>	<u>1,204,435</u>

7 Auditor's remuneration

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
<i>Auditor's remuneration:</i>		
Statutory audit of financial statements	-	-
Non-audit fees – other accounting services	-	-
	<u>-</u>	<u>-</u>

Auditor's remuneration of £1,500 (2016: £1,000) is borne by the subsidiary undertaking, Reaps Moss Limited.

Notes to the financial statements (continued)

8 Profit before taxation

All profit before taxation is derived from the principal activity in the United Kingdom.

9 Staff costs

There were no (2016: no) employees during the year and the directors have not performed any qualifying services for the company and therefore there is no directors' remuneration.

10 Taxation

Tax expense included in profit or loss	Year ended 31 December 2017 £	Year ended 31 December 2016 £
<i>Current tax</i>		
UK corporation tax on income for the year	-	-
Adjustment in respect of prior periods	-	(7,131)
	-	(7,131)
<i>Deferred taxation</i>		
Timing differences, origination and reversal	-	-
	-	(7,131)
Total tax	-	(7,131)

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
<i>Reconciliation of effective tax rate</i>		
Profit before taxation	976,434	232,069
Current tax at UK corporation tax rate of 19.25% (2016: 20%)	187,964	46,414
<i>Effects of:</i>		
Income not subject to tax	(409,415)	(36,822)
Group relief	-	(9,592)
Adjustment in respect of prior periods	-	(7,131)
Non-deductible expenses	221,451	-
Total tax (see above)	-	(7,131)

Notes to the financial statements (continued)

11 Investments

	Group undertakings £
<i>Cost and net book value</i>	
As at 1 January 2017	2,050,000
Additions during the year	-
As at 31 December 2017	<u>2,050,000</u>

The company owns 100% of the issued share capital of its subsidiary undertaking, European Investments (Reaps Moss) Limited, a company incorporated in England and Wales. The address of the company's registered office and principal place of business is 2 Hunting Gate, Hitchin, Hertfordshire, SG4 0TJ. The subsidiary undertaking had net assets of £2,050,000 at 31 December 2017 (2016: £2,050,000), and a profit for the year ended 31 December 2017 of £933,827 (year ended 31 December 2016: £321,921).

European Investments (Reaps Moss) Limited owns 100% of the issued share capital of its subsidiary undertaking, Reaps Moss Limited. Reaps Moss Limited had net assets of £2,068,688 at 31 December 2017 (31 December 2016: £2,170,228) and a profit for the year ended 31 December 2017 of £878,460 (period ended 31 December 2016: £386,811).

The directors believe that the carrying value of investments is appropriate and is supported by underlying net assets and future trading.

12 Debtors: amounts falling due after more than one year

	31 December 2017 £	31 December 2016 £
Shareholder loan	16,663,342	17,186,512
	<u>16,663,342</u>	<u>17,186,512</u>

The shareholder loan is made to the company's immediate subsidiary undertaking European Investments (Reaps Moss) Limited and incurs interest at a rate of 7%. Repayments are scheduled to commence in December 2036 with the loan being repaid in instalments every six months until June 2040.

Notes to the financial statements *(continued)*

13 Debtors: amounts falling due within one year

	31 December 2017 £	31 December 2016 £
Shareholder loan	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

14 Creditors: amounts falling due within one year

	31 December 2017 £	31 December 2016 £
Shareholder loans	-	-
Corporation tax	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

15 Creditors: amounts falling due after more than one year

	31 December 2017 £	31 December 2016 £
Shareholder loan	16,663,342	17,186,512
	<u>16,663,342</u>	<u>17,186,512</u>
	<u>16,663,342</u>	<u>17,186,512</u>

The shareholder loan is provided by the company's immediate parent undertaking Ventus Investments Limited and incurs interest at a rate of 6.75%. Repayments are scheduled to commence in December 2036 with the loan being repaid by instalments every six months until June 2040.

Notes to the financial statements (continued)

16 Called up share capital

	31 December 2017 £	31 December 2016 £
<i>Allotted, called up and fully paid</i>		
2,050,000 (2016: 2,050,000) Ordinary shares of £1 each	<u>2,050,000</u>	<u>2,050,000</u>

The holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at meetings of the company.

17 Dividends paid

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Dividends paid	<u>976,434</u>	<u>267,727</u>

An interim dividend of £976,434 amounting to 48p per share was paid during the year (2016: £267,727 amounting to 13p per share). The directors do not recommend the payment of a final dividend (2016: £nil).

18 Related party transactions

Related party transactions are all disclosed in the preceding notes.

19 Ultimate controlling parties

The Company's immediate parent undertaking is Ventus Investments Limited which is incorporated in the United Kingdom.

The ultimate controlling party of the Company is the Royal Bank of Scotland Pension Scheme.

The only group in which the results of the company are consolidated is that headed by Ventus Investments Limited, 2 Hunting Gate, Hitchin, Hertfordshire, SG4 0TJ. These consolidated financial statements are available to the public.